

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, March 14, 2012  
11:00 A.M.

915 Capitol Mall, Room 587  
Sacramento, California 95814

Deputy State Treasurer Tricia Wynne, serving as Chair, called the meeting to order.

### **Roll Call**

**Members Present:** Patricia Wynne, designee for Bill Lockyer, State Treasurer  
Nick Schweizer, designee for Ana Matosantos, Director of Finance  
William J. Ellerbee, Jr., designee for Tom Torlakson, Superintendent of  
Public Instruction

**Staff Present:** Katrina Johantgen, Executive Director  
Terri Kizer, Program Analyst  
Steven Theuring, Program Analyst

The Chair declared a quorum present.

### **Approval of Minutes**

The minutes for the February 8, 2012 Authority Board meeting were approved as submitted.

### **Executive Director's Report**

**Logo:** Ms. Johantgen advised the members of a new logo developed for inclusion in marketing materials for our bond program.

**Financings:** Remaining Qualified School Construction Bond allocation is \$22.5 million. Currently applications are being reviewed that have requested \$15 million in allocation. If these are approved, \$7 million will still be available. The Aspire and Birmingham RANs have been paid off.

**Rulemaking Files:** The rulemaking file for the Incentive grant has been approved and the 2012 funding round has started. The deadline to receive applications is March 20, 2012. The rulemaking file for the Charter School Facilities Program has been approved by the Office of Administrative Law and has been forwarded to the Secretary of State. Thirdly, the rulemaking file for the Enhancement grant is targeted for approval by OAL in mid-April.

**Resolution No. 12-06 – Authorizing the Issuance of notes in an aggregate amount not to exceed \$14,000,000 to finance working capital loans in the respective maximum loan amounts Indicated on Exhibit A hereto to one or more of the schools listed in Exhibit A hereto and operated as Aspire Public Schools**

Ms. Johantgen advised Aspire Public Schools has requested the Authority to serve as conduit issuer of revenue anticipation notes of up to \$11,110,000 to be used for working

capital for 19 specific charter schools listed on Exhibit A. The note will be privately placed with LIIF (Low Income Investment Fund) and NCB Capital Impact. Although 25 charter schools were originally planned for inclusion in this financing, the schools under the state-wide benefit charter have been removed from the list of participating schools.

Each participating charter school is required to utilize an intercept of the state-aid portion of their General Purpose Block Grant in order to guarantee the debt service under the terms of their respective loan agreements.

Ms. Delphine Sherman, Director of Finance, Aspire Public Schools, spoke to the members and expressed her appreciation for the Authority's part in securing this financing.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-06 approving the notes financing for Aspire Public Schools for the specific schools as listed in a total amount not to exceed \$11,110,000.

Resolution No. 12-07 – Authorizing the issuance of revenue bonds in an aggregate amount not to exceed \$40,000,000 for Livermore Valley Charter School and Livermore Valley Charter Preparatory High School each operated as Tri-Valley Learning Corporation, located in Alameda County

Ms. Johantgen described the request by Tri-Valley Learning Corporation (Tri-Valley) on behalf of Livermore Valley Charter School and Livermore Valley Charter Preparatory High School for the Authority to serve as conduit issuer for two series of bonds. The proceeds of the revenue bonds and/or certificates of participation will be used to finance the acquisition, construction, improvement, and equipping of charter school facilities for the two schools. Tri-Valley had received two approval allocations previously, one of which has expired, and Tri-Valley is currently requesting an extension and an increase in allocation from the allocation adopted at the meeting on February 8, 2012.

The financing team for the Tri-Valley bond transaction was introduced to the members: Bill Bachelor, representing the school, Mark Holmstedt, representing Westhoff, Cone & Holmstedt, and Eugene Clark-Herrera, representing Orrick, Herrington and Sutcliff.

Mr. Holmstedt described the structure of the financing and advised \$25 million would be financed by selling rated bonds with a senior pledge. An additional \$15 million would be placed with the seller of the school property, NorthStar Realty Finance Corp. The second series would be payable beginning in 2018 from available funds after the senior bond debt service. The rated bonds (senior series) are expected to achieve a minimum rating of BBB- through either Standard & Poor's Rating Services or Fitch Ratings.

Ms. Johantgen confirmed the TEFRA hearing was held prior to the board meeting. She also highlighted the qualification criteria to be met for any debt obligation in the event the investment grade rating of BBB- is not achieved. These criteria are consistent with criteria required by other authorities within the State Treasurer's Office. Mr. Clark-Herrera and Mr. Holmstedt both clarified the requirement for either a Qualified Investor or an Accredited Investor in the event the rating is lower than investment grade and confirmed these are consistent with other financings through the State Treasurer's Office.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-07 approving the notes financing for Tri-Valley Learning Corporation (Tri-Valley) on behalf of Livermore Valley Charter School and Livermore Valley Charter Preparatory High School in a total amount not to exceed \$25,000,000 for Series 2012A and \$15,000,000 for Series 2012B.

Resolution No. 12-08 – Approving a financially sound determination for The Charter School Facilities Program for advance apportionment for Magnolia Science Academy – San Diego located in San Diego County

Discussion and board action for this item is included below in the discussion and board action for Resolution No. 12-09.

Resolution No. 12-09 – Approving a financially sound determination for the Charter School Facilities Program for advance apportionment for Pacific Technology School located in Orange County

Ms. Johantgen advised Magnolia Educational and Research Foundation (MERF) has requested advance apportionments on behalf of both Pacific Technology School – Santa Ana (PT-SA) and Magnolia Science Academy – San Diego (MSA-SD). The reports for these two schools were combined and presented by Steven Theuring.

Mr. Theuring reported PTS-SA currently serves 134 students in grades 6-10 and has projected enrollment will increase to 671 students in grades 6-12 by 2017-18. MSA-SD currently serves 308 students in grades 6-8 and has projected enrollment to reach capacity of 575 in grades 6-8 in the first year of project occupancy in 2015-16. PTS-SA is planning new construction of a facility targeted for completion by the 2014-15 school year. MSA-SD is planning to expand its current campus and its project is targeted for completion by 2015-16.

In response to Mr. Schweizer's question about enrollment projections, Mr. Matt Demet, representing Magnolia Education Science Foundation, confirmed the PTS-SA project will increase in both grades served and student capacity. The project for MSA-SD will increase total student capacity. In response to a question from Dr. Ellerbee about student performance, Mr. Theuring advised MSA-SD has provided a statement about the drop in its Academic Performance Index and the adjustments being made. Several factors were cited including a reassignment of the Chief Academic Officer and the increase in enrollment affecting the student population. Mr. Demet confirmed they are working to bring the API scores back up.

Ms. Johantgen advised the MSA-SD project is rehabilitation of a district facility and the CSFP payments for both schools would be intercepted at the State level. She recommended the members find PTS-SA and MSA-SD financially sound for purposes of advance apportionments.

It was moved, seconded, and passed unanimously to adopt Resolutions No. 12-08 and No. 12-09 approving financially sound determination(s) for advance apportionment(s) for the two projects for Pacific Technology School – Santa Ana (PTS-SA) and Magnolia Science Academy – San Diego (MSA-SD), respectively.

Resolution No. 12-10 – Approving a financially sound determination for the Charter School Facilities Program for conversion to final apportionment for New Jerusalem Charter School located in San Joaquin County

Ms. Johantgen advised the members that New Jerusalem Charter School is requesting conversion to final apportionment for its rehabilitation project. The school received a preliminary apportionment of \$3 million in May 2010. In June 2011, the school was found to have maintained its financial soundness for purposes of an advance apportionment of \$301,349 for design costs.

New Jerusalem Elementary School District (NJESD) is the financial obligor for this CSFP project and will be providing a lump sum payment to meet the school's full local matching share obligation. Staff conducted an updated evaluation of the district's financial soundness and its ability to meet the lump-sum payment of \$1.5 million for the local matching share. The district provided updated information indicating there have been no material changes to its financial status, its ability to meet the lump-sum payment contribution, or the project's scope and status since the last financial soundness evaluation. Total district-wide enrollment in 2011-12 is 686. The school's enrollment in 2011-12 is 222 and expected to increase to a capacity of 265 by the second year of occupancy in the CSFP-funded facility.

Ms. Johantgen recommended the school and district be found financially sound based on the district meeting the local matching share obligation. The school would then be placed on the unfunded approval list by the Office Public School Construction.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-10 approving a financially sound determination for conversion to final apportionment for New Jerusalem Charter School and New Jerusalem Elementary School District.

Resolution No. 12-11 – Approving a financially sound determination for the Charter School Facilities Program for final apportionment for both Today's Fresh Start Charter School and Today's Fresh Start Charter School Inglewood located in Los Angeles County, California

Ms. Johantgen advised the members of the request by Today's Fresh Start Charter School (TFSCS) to be found financially sound for purposes of conversion to final apportionment. The school received a preliminary apportionment in February 2005 for \$12,605,650. An advance apportionment of \$1.3 million was released in April 2006 for design costs. A second advance apportionment of \$6 million was released in March 2011 for site acquisition.

Ms. Johantgen explained that TFSCS is a multi-site K-8 school operating at five sites in Los Angeles County under two separate charters. One charter is approved by the Inglewood Unified School District while the other charter is a county-wide charter approved by the State Board of Education. With CSFP funds, the school plans to renovate a facility at 3405 Imperial Highway in Inglewood and increase the site's capacity from 139 to 350 students.

Ms. Johantgen introduced Mr. Jim Bush, representing Today's Fresh Start Charter School for its CSFP-funded project. Mr. Bush confirmed the school received its preliminary apportionment under the Proposition 55 round and received advance apportionments in subsequent years. The project has been approved by CDE and is in the process of being approved by the Division of the State Architect. Upon receiving a finding of financial soundness, the school will be able to proceed to the Office of Public School Construction and will be placed on the State Allocation Board's unfunded list until funds are available.

In response to questions from Mr. Schweizer related to enrollment growth and capacity, Ms. Johantgen advised that although student retention rates had lagged in prior years, more recent rates of 93.3% and 95.7% for 2010-11 and 2011-12, respectively, show improved retention and staff recommended the increased rates support a determination of financial soundness.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-11 approving a financially sound determination for conversion to final apportionment for the project shared by Today's Fresh Start Charter School and Today's Fresh Start Charter School Inglewood.

**Public Comment**

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen  
Executive Director

EXHIBIT A

*Resolution No. 12-06*

*Aspire Public Schools – Issuance of Notes*

*For the following schools under one or more Aspire Public School charters:*

<b>No.</b>	<b>Schools</b>	<b>City</b>	<b>Not to Exceed Loan Amount</b>
1	Aspire Antonio Maria Lugo Academy	Huntington Park	\$380,000
2	Aspire Berkley Maynard Academy	Oakland	\$730,000
3	Aspire California College Preparatory Academy	Berkeley/Oakland	\$1,000,000
4	Aspire Capitol Heights Academy	Sacramento	\$490,000
5	Aspire Centennial College Preparatory Academy	Huntington Park	\$900,000
6	Aspire East Palo Alto Charter	East Palo Alto	\$1,240,000
7	Aspire ERES Academy	Oakland	\$330,000
8	Aspire Firestone Academy	South Gate	\$600,000
9	Aspire Gateway Academy	South Gate	\$600,000
10	Aspire Huntington Park Charter	Huntington Park	\$370,000
11	Aspire Inskeep Academy Charter	Los Angeles	\$440,000
12	Aspire Juanita Tate Academy Charter	Los Angeles	\$430,000
13	Aspire Millsmont Academy	Oakland	\$360,000
14	Aspire Monarch Academy	Oakland	\$540,000
15	Aspire Rosa Parks Academy	Stockton	\$670,000
16	Aspire Slauson Academy Charter	Los Angeles	\$440,000
17	Aspire Summit Charter Academy	Modesto	\$700,000
18	Aspire University Charter	Modesto	\$410,000
19	Aspire Vanguard College Preparatory Academy	Empire	\$480,000
	<b>Total</b>		<b>\$11,110,000</b>